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October 25, 1995

Mr. William F. Caton, Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

RECEIVED

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Re: CC Docket No. 94-54
Interconnection and Resale Obligations Pertaining to
Commercial Mobile Radio Services

EX PARTE NOTICE

Dear Mr. Caton:

In accordance with Section 1.1206 of the Rules and Regulations of the Federal Communications Commission, the purpose of this letter is to provide notification that Dana Baker, Consulting Manager of GVNW, Inc./Management; Caressa Bennet and the undersigned, both counsel for GVNW, met this date with John Cimko, Chief of the Wireless Telecommunications Bureau's Policy Division; Jeff Steinberg, senior attorney in the Policy Division; and Pam Megna, senior economist in the Policy Division, to discuss the pending Second Notice of Proposed Rule Making in the above-captioned proceeding. Dana Baker made a presentation based on written discussion points which were provided. An original and one (1) copy of these discussion points is enclosed herewith.

Should you require any additional information, please feel free to contact the undersigned.

Very truly yours,


Michael R. Bennet

Enclosure

cc: John Cimko
Michael Wack (with enclosure)
Jeff Steinberg
Pam Megna

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October 25, 1995

Comments of GVNW Inc./Management

On April 5, 1995 the commission released its Second Notice of Proposed Rule Making (NPRM) in this Docket requesting comments on numerous issues related to the Interconnection and Resale Obligations Pertaining to Commercial Mobile Radio Services. GVNW Inc./Management, a consulting company representing the interest of small Local Exchange Companies (LECs), offers the following initial comments in regard to the interconnection issue raised by the NPRM. Due to the scope of the subject material of the NPRM and, in many cases, the uncertainty of how technically the capabilities requested could be provided, there are a number of areas where we are unable to comment at this time. Absence of such comments should not be viewed as a lack of concern or interest in that area of inquiry.

Written notes for discussion in Meeting with FCC

The Key to the summary of our comments is to help the advancement of Congressional and Commission public policy goals with respect to enhancing competition, promoting infrastructure investment, and facilitating access to the Nation's Telecommunications Networks. Within this scope of discussion, GVNW represents 150 Telephone Companies and can at any time show the effects of changes in settlement procedures on 97 Specific companies. The average company is 80% Debt through Government Loans. As you know, these loans were established to provide quality basic service in rural areas. The LECs facilities (toll and local) were designed to handle traffic volumes based on historical data. If there has been any denial of interconnection, from a small LEC point of view, it is from a capacity issue of existing facilities. On some occasions, the small LEC could expand facilities but the LEC connection to the BOC would be limited. GVNW believes that the LECs infrastructure investment should be open to any and all customers. It should also be based on compensation and availability. Compensation for use of the facilities should be based on a approved recovery mechanism.

While the issue of Reciprocal agreements (Bill and Keep), may work on a case by case basis, it should not be used to establish a national rule making.

This brings up the following issues regarding Bill & Keep:

- When additional competition comes to the Commercial Mobile Radio Services such as PCS and other technology used in like manner, the LEC could have to provide facilities to many operators. While the usage may be 50/50 for the incumbent and the LEC. Competition will divide the usage to a disproportional share against the LEC. This could lead to a double hit to the LEC. The usage would not be equal and increase facility requirement with no guarantee that the CMRS provider will stay long

enough to recover the cost. The LECs are not against competition but they should not build out for facility usage for the sake of competition. The LEC is not in the business of promoting Competition, they are in the business of providing telecommunication services. These services are compensation based and should remain that way.

- If the LEC has to provide facilities without a revenue source, does this constitute confiscation of property?
- As a RUS borrower, the LEC has loan requirements. Revenues generated from the facilities(infrastructure investment) are used to meet the loan requirements. Bill & Keep has the potential to undermine the support (loans/revenues) that keeps access to the network reasonable in rural areas.
- If we start interconnection as Bill & Keep, it is not that far of a jump for niche markets to want the same rules apply. One example used in state discussions was the pay phone market. The new wireless pay phone operator will terminate a substantially greater number of calls on the LECs facilities than the LEC on the wireless pay phones.

Many of the small LECs are cellular operators and many are soon to be PCS operators. As providers of both wireless and wireline, the LEC sees the need to continue a settlement process between itself that does not set policy for future.(what we give to ourselves we must give to others) Valley Telephone Cooperative Inc. from Arizona is an example of a wireline and wireless (cellular) provider.

Here is Valley's concerns:

1. Basic interconnection standards must be developed to assure that homologous treatment occurs for all communications providers.
2. Interconnection should not jeopardize the local exchange carrier's ability to provide ubiquitous service coverage through out its service territory.
3. Universal service and funding to achieve this goal is critical. There exists some beliefs that through interconnections standards, competition will satisfy the goals to provide lower costs for end-user services and provide alternatives for the end-users. It is clear that this may occur in some areas of the country, but it will not be true for all telecommunications users.
4. Compensation arrangements between telecommunications providers are difficult to establish to assure parity of treatment among the providers. Reciprocal agreements may seem OK from the surface, but it will undermine the support that currently keeps access to the network at affordable rates in place. Access is a major revenue support for providing services to areas with high costs. As the minutes of use grow with new technologies, like wireless, the imbedded investments, to get facilities to and access for the emerging technology, must have some recovery mechanism. Without this, existing exchange carriers will be placed at risk.
5. Compensation alternatives should be transitioned over a reasonable time frame. Additionally, financial recovery for long term investment should be specifically targeted. This is to focus on the existing regulatory depreciation and amortization mandates, and the ability to accelerate the process, and the ability to recover the investment in a shorter time frame, and not harm customers that do not have access to any alternatives, and promote the spirit of true competition.

6. Incumbent vs. new market entrant- Until parity of financial obligations (the mandate to serve all at an "affordable" rate) is achieved, the 65,000,000 rural citizens in America will not benefit from competition. The rural user is at risk of subsidizing competitive market entry in larger markets without having a choice for themselves. Today after 11 years of competition, in the inter-LATA market, there still exists areas that do not have choices for long distance. With that stated, it is rational to believe that within the next decade, these same rural areas will exist without choices; while experiencing increased costs for basic services and not having the opportunity to use any of the new services that will become available.

We also observe (like the Commission) that CMRS providers are designated as common carriers by the Omnibus Budget Reconciliation Act and thus are specifically subject to Section 201 and 202 of the act. Any resolution of individual complaints regarding interconnection denials or rates are pursuant to Section 208.